

INFORMATION REPORT

196661 25X1A

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DATE DISTR. 12 May 1948

COUNTRY Germany (Russian Zone)

SUBJECT Assimilation of Economic Power by SED
in Saxony-Anhalt 25X1APLACE
ACQUIRED

DATE OF INFO

NO. OF ENCLS.
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1. While social revolutions usually commence with the assumption of political power by the revolutionary forces, in Germany the usual sequence was reversed. Since the Communist forces in the Russian Zone were not sufficiently strong, as shown by the elections of 1945, to claim exclusive political power, they concentrated instead on controlling the industrial resources and through them coming to political dominance. In this they were naturally assisted by the occupation power and, to some extent, by the supine acceptance of the bourgeois parties, which offered insufficient resistance to Communist efforts.
2. The first decisive step was the resolution of the Anti-Fascist Bloc of the province of Saxony on land reform, on 1 September 1945. Although the cooperation of the bourgeois parties was meant to strike at Fascism and militarism, it actually aided Communist ends. At a professional group meeting of the Ministry of Economy of Land Saxony-Anhalt on 20 February 1948, the land reform was praised by SED functionaries as a means of depriving capitalist interests of power and of fulfilling the Communist Manifesto.
3. Almost at the same time as the land reform, another measure in the industrial field, although it affected only administration, was really more revolutionary because it was without precedent. This was the "taking over into the exclusive, actual statutory power of the president of the province of Saxony." (Übernahme in die ausschliessliche tatsächliche Verfügungsgewalt des Präsidenten der Provinz Sachsen). Since

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Auth. Memo. 4 Apr 77

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Date: 02 MAY 1979 By: 022

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it had no legal foundation, being introduced through the Division of Guarantee of Economy, it had to be given one later through the Prussian Police Administration Law, SMA Order No. 9, on starting industries and the state right of necessity (Staatsnotrecht).

4. The original measures taken to secure enterprises left ownerless at the capitulation were unobjectionable. In the hands of the Communist officials Ferschlannt and Schleiff, however, and with trade union cooperation, they were applied as a means of eliminating unacceptable (that is, non-Communist) personnel and of bringing many firms under the direct control of the state. Laborers and lower-echelon plant employees were sometimes named directors at the suggestion of the trade unions or the head of the SED Economic Division, and trustees were appointed for reasons of personal advantage. Although not exclusively aimed at destruction of private ownership, such measures deprived owners of much of their organizing power, which was thus transferred to Communist circles. The transfer of property to the statutory power of the Land president was also often the preliminary to sequestration or expropriation. About the middle of 1947 this method was terminated. It had been recognized by the courts only reluctantly. Saxony-Anhalt took the lead in this procedure, followed by Thuringia. (See Attachment A.)
5. Another measure which had a crushing influence on the bourgeois parties originated in Saxony-Anhalt: the order of 17 December 1945 on confiscation of property of printing and publishing installations which had served the Nazi party. Forty-seven firms, including all the newspaper printers of the Land, were confiscated and, if they owned rotary presses, were turned over to KPD and SPD in the Land, as restitution. Many of these firms had belonged for generations to the same family; the owners were not all Nazis and in fact under Nazi law had no influence on the content of the paper. Since LDP and CDU could not claim much in the way of restitution, they received practically none of the confiscated resources, whereas KPD was able to claim a large amount. (See Attachment B for list of firms expropriated.) Only a few, mostly smaller firms, remained in private hands and about twelve were expropriated for the benefit of the Land; the remainder were combined in a GmbH set up by SED for their operation.
6. The advantage to the Communists was enormous, since Saxony-Anhalt had a well-developed printing industry. Both CDU and LDP lost any opportunity of setting up their own newspaper plants for some time. CDU did succeed in obtaining a rotary press and bringing it to Halle, but it could not be put into operation even then because of the shortage of spare parts. Thus both parties are dependent on SED for printing facilities even for their party papers. SED, on the other hand, obtained so large a printing establishment that only part of it could be used for newspapers, and the remainder was devoted to books, art materials, and occasional publications. In addition to the great propaganda advantages, SED thus acquired a source of income which can contribute considerably to party funds. An attempt of the cabinet to provide indemnification for writers was defeated by the determined opposition of the Communist Advocate-General Fischel.
7. In addition, SED demanded as restitution the entire real estate, machines, installations, tools, and raw materials of the sequestered AG Otto Naumann and Company in Raguhn in order to establish a paper factory on the property. The corporation for operating the factory (a GmbH) had already been formed, and the resistance of the Ministers of Economy and Interior was eventually overcome under party pressure. (See Attachment C.)
8. The regulation of 22 May 1946 which permitted expropriation of the property of associations and cooperatives without compensation also, offered Communist advantages. When, for example, the German Lignite Industry Association was ordered liquidated, the cabinet of Saxony-Anhalt on 17 May 1947 awarded the administration building of the association to the industrial union for mining. The Landtag approved the assignment, and the Ministry of Labor offices in the state capital had to

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9. The most decisive measure outside of the land reform, the expropriation of war criminals and the comprehensive transfer of sequestered enterprises to the property of the state, based on the order of 30 July 1946, differed in Saxony from other Lands only in that no popular decision was obtained but the motion was put to a general assembly and accepted en bloc under pressure. Some resistance was made to the expropriation process, however, and a right of protest was finally canceled. About 1400 protests were still unsettled, but their processing in the emergency committee of the Landtag was prevented by SMA, and they were all rejected without consideration in the Ministry of Interior.
10. Consumers' unions also pressed their claims to valuable property. An official of the Sequestration Division refused the demand of the consumers' cooperative union for the large Wollhalle storehouse on the grounds that investigation showed the property not sequestrable. He was defamed in the SED press, and the Central Secretariat of SED was called upon for help. SMA Order No. 176, 12 February 1946, however, handed over to the consumers' cooperatives of Land Saxony-Anhalt 457 pieces of property, many unencumbered.
11. A new series of expropriations, to be concluded by the middle of March 1948, was introduced in February, in the "recheck of doubtful cases." No written order was issued, but expropriations were based on Order No. 124, which was clearly intended originally for other purposes. The "recheck" was not to include the 1400 protesting firms which had appealed their expropriation orders. A group of the German Central Commission for Sequestration and Confiscation, styling themselves the "Commission for Execution and Investigation of Order No. 124," entered many plants and inspected books and papers and held confidential conferences with factory councils; owners were not consulted. Their reports were presented mostly to the Minister of Interior and Minister President. On 3 March 1948, the cabinet of Saxony-Anhalt discussed the combined list of firms to be expropriated, which was kept very secret. According to statements of a participant in the meeting, of 180 firms proposed for expropriation, only 59 were accepted and ten were still under consideration. The enterprises affected were mostly small or medium-sized firms which were capable of working and about thirty percent of the firms still in private hands, including some firms which had been expropriated and then returned.

25X1X [REDACTED] Comment: This action was aimed at extending the power of state-owned industries (Industrie-Werke), in conjunction with SAGs, and thus augmenting Communist power. Its effect is a union of SED and SMA as operating forces.

12. Proposals for the disposition of real estate sequestered under Orders No. 124 and 126 were submitted to Berlin and were considered in a committee of the Ministry of Labor and Social Welfare. No representatives of the bourgeois parties were included in the approximately twenty sessions of this group. Of the 860 properties for disposal, the majority are to be surrendered to public corporations; LDP and the Caritas Union of Magdeburg were scheduled for one property each. The remainder, including about fifty pieces of real estate for party purposes, was requested by SED. The other parties suffered here too from an inability to claim property as restitution. This distribution was accepted by the cabinet and has been, since the end of October 1947, in the hands of SMA Karlshorst.
3. After 1 April 1948, the services occupied in collecting, administering, and evaluating sequestered property were to be combined into a unified department and affiliated to the Ministry of Interior. Within the SAGs, the implementation of possession appeared to be increasing, as shown by new constructions and improvement of real estate. Under Russian pressure (from Colonel Medvidov), a sales agreement was made with the Zeitz branch of the Maslo combine by which the combine acquired the valuable administrative building which formerly belonged to a lodge. It was also established that SAGs were liable for taxation in the same way as German enterprises. (See Attachment D.) However, the SAGs still receive such benefits as higher prices and subventions. No fixed amounts of subventions have been established, but suggestions have been submitted. (See Attachment E.)

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